

501 (c) (4)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(a) and as an organization described in section 501(c)(4) of the Internal Revenue Code.

A review of your application and supporting documents reveals that the [REDACTED] was formed in [REDACTED] in response to a series of crimes in your apartment building. To help insure safety in the building the Association collects dues from participating tenants and has hired a part time guard service. The officers of the Association serve as volunteers and have also formed a tenant patrol.

Section 501(c)(4) grants exemption to civic leagues not organized for profit but operated exclusively for the promotion of social welfare.

I. T. Regulation section 1-501(c)(4)-1(a)(2) states in part, an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

Revenue Ruling 69-280 held that an organization formed to provide maintenance of exterior walls and roofs of homeowners does not qualify as an exempt organization within the meaning of section 501(c)(4). The Revenue Ruling held that by acting for the private benefit or convenience of its members the public at large was not benefited.

Revenue Ruling 74-99 provided that for a homeowner's association to qualify for exemption pursuant to section 501(c)(4), the association must serve a community which bears a reasonably recognizable relationship to an area ordinarily identified as governmental.

In the case of the Commissioner V. Lake Forest, Inc. 305 F 2d 814(1962) exemption was denied where the benefits provided were not public in nature. The court looked to the benefits provided rather than the number of persons who received benefits through membership.

Although the security services provided by the Association are undoubtedly needed, the services primarily benefit the residents of [REDACTED] rather than the community at large. Therefore the organization is not primarily involved in the promotion of social welfare, and exemption under section 501(c)(4) is denied.

If you do not agree with this determination, you may, within 30 days of the date of this letter, file a protest only in accordance with the enclosed instructions. Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7498(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

You are reminded of the liability to file Federal income tax returns, Form 1120.

Sincerely yours,

District Director

Encl: Publication 892